

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2029-02  
Bill No.: HCS for HB 879  
Subject: Taxation and Revenue - Property; Property, Real and Personal  
Type: Original  
Date: April 21, 2015

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Bill Summary: This proposal classifies short term rental merchandise as inventory and exempt from property taxes.

**FISCAL SUMMARY**

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any Of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
<b>Local Government</b>	<b>(Minimal)</b>	<b>(Minimal)</b>	<b>(Minimal)</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Revenue** assume the current proposal would not fiscally impact their agency.

In response to a previous version, officials from the **State Tax Commission** assumed this proposal will not impact their agency. They also state, there could be a potential loss at the county level of a substantial nature, if items that are normally assessed such as leased vehicles, are leased in a manner that would qualify them under this proposal.

**Oversight** notes that the bill notes that the term "merchandise" shall include rentals of equipment and other merchandise offered for short term rentals (later clarified as less than 365 consecutive days) by rental companies classified under:

- 532412 - Construction, Mining, Forest Machinery and Equipment Rental & Leasing; and
- 532210 - Consumer Electronics and Appliance Rental

**Oversight** assumes the proposal would not include assets such as leased vehicles. Oversight will further assume the fiscal impact to counties will be minimal.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Local Government

FY 2016  
(10 Mo.)

FY 2017

FY 2018

**COUNTIES**

Loss - of property taxes from  
merchandise held by a merchant and  
available for short term rental and which  
will subsequently or ultimately be sold

(Minimal)

(Minimal)

(Minimal)

**ESTIMATED NET EFFECT TO  
COUNTIES**

(Minimal)

(Minimal)

(Minimal)

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

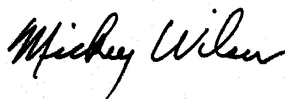
This proposal specifies that merchandise held by a rental company and available for short-term rentals of less than 365 consecutive days which will be ultimately sold is considered inventory and exempt from property tax.

This proposal clarifies who is in business as a "rental business".

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

State Tax Commission  
Department of Revenue



Mickey Wilson, CPA  
Director

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